



# Department of Justice

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**LOEWS THEATRES AND CINEPLEX ODEON CORPORATION AGREE TO  
DIVEST MOVIE THEATERS IN MANHATTAN AND CHICAGO AS A CONDITION  
OF ALLOWING MERGER TO PROCEED**

WASHINGTON, D.C. -- The Department of Justice and the states of New York and Illinois today allowed a merger between Loews Theatres, a subsidiary of Sony Corporation, and Cineplex Odeon Corporation to proceed after the companies agreed to sell 25 theaters in Manhattan and the metro Chicago area.

Without the divestiture, the merger likely would have resulted in an increase in prices to movie goers and a reduction in the quality of movie theaters in both markets that show first-run movies.

"This is a big win for movie-going consumers," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. "With this divestiture, movie goers, whether they are kids or working adults or seniors, will get the benefits of competition."

The Department, along with the Attorneys General of New York and Illinois, filed suit in U.S. District Court in the Southern District of New York to block the proposed merger of Loews Theatres and Cineplex Odeon. At the same time, a proposed settlement was filed that, if entered by the court, will settle

the lawsuit. Named as defendants are LTM Holdings, Inc., d/b/a Loews Theatres; Sony Corporation of America, the parent company of LTM Holdings, Inc.; Cineplex Odeon Corporation; and J. E. Seagram Corp., the parent company of Universal Studios, Inc., the largest Cineplex Odeon shareholder.

Klein said, "This divestiture completely restores the competition that would have been lost. Under the settlement, the merged firm will not be any larger in either market than it was before the transaction."

According to the complaint, the proposed merger would have combined the first and second largest theater chains in Manhattan and Chicago. In Manhattan and Chicago, the combined chains would have had market shares, by revenue, of 67 percent and 77 percent, respectively. The complaint states that the merger would have reduced competition in both markets, leading to higher ticket prices and reduced theater quality for first-run movies. It also would have allowed the newly merged firm to reduce competition by lowering film rentals paid to distributors for first-run movies.

The proposed settlement requires the defendants to divest 14 theaters in Manhattan and 11 in the Chicago area to a buyer or buyers, acceptable to the Department, that will continue to operate them as movie theaters. The divested properties include such prominent theaters as the Ziegfeld and the Chelsea in Manhattan, and 600 North Michigan and the Watertower in Chicago.

In both Manhattan and Chicago, the divestitures represent slightly more than the leading firm would be acquiring in both

the number of screens and revenue. After the divestitures take place, the merged company will be no larger in either city than the leading firm in that city was before the merger.

The 14 Manhattan theaters to be divested consist of 13 Cineplex Odeon theaters (Chelsea, Chelsea West, 1<sup>st</sup> & 62<sup>nd</sup>, Ziegfeld, Park & 86<sup>th</sup> Street, Waverly Twin, Olympia, Art Greenwich, Metro Twin, Beekman, Regency, 62<sup>nd</sup> & Broadway, and 59<sup>th</sup> Street East) and one Sony-Loews theater (34<sup>th</sup> Street Showplace). The 11 Chicago area theaters to be divested consist of 8 Cineplex Odeon theaters (600 North Michigan, 900 North Michigan, Biograph, Bricktown, Watertower 1-4, Watertower 5-7, Burnham Plaza, and Broadway) and 3 Sony-Loews theaters (Hyde Park Quad, River Run Eightplex, and Old Orchard Quad).

After the merger, the combined company will be called Loews Cineplex Entertainment Corp. (LCE). Sony Pictures Entertainment Inc. will own 51 percent of LCE; Universal Studios, Inc. will own 26 percent of LCE; the Charles Rosner Bronfman Family Trust and related parties will own 10 percent of LCE; and the other Cineplex Odeon shareholders will own 13 percent of LCE.

Cineplex Odeon Corporation, a Canadian company, is headquartered in Toronto, Ontario. It is one of the largest exhibition companies in North America. As of January 31, 1998, Cineplex Odeon operated 1,723 screens at 312 locations, including 911 screens at 175 locations in the United States, 806 screens at 136 locations in Canada, and 6 screens at one location in Europe.

Cineplex Odeon had annual revenues of approximately \$500 million in 1996.

LTM Holdings, Inc. (d/b/a Loews Theatres) is an indirect wholly owned subsidiary of Sony Corporation of America. It operates one of the largest movie theater businesses in the United States under the Loews Theatres and Sony Theatres marquees. As of January 31, 1998, Loews Theatres owned, operated or had interests in 1,035 screens at 139 locations in 16 states within the United States. Loews Theatres had annual revenues of approximately \$375 million for the fiscal year ending February 28, 1997.

As required by the Tunney Act, the proposed consent decree, along with the Department's competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed decree during a sixty-day comment period to Craig Conrath, Chief, Merger Task Force, Antitrust Division, U.S. Department of Justice, Suite 4000, 1401 H Street, N.W., Washington, D.C. 20530. At the conclusion of the comment period, the Court may enter the consent decree upon a finding that it serves the public interest.

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